

**Vernon Parish Tax Agency Fund
of the Vernon Parish School Board
Leesville, Louisiana**

**Financial Statements
June 30, 2012**

**Vernon Parish Tax Agency Fund
of the Vernon Parish School Board**

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Independent Auditors' Report

Board Members

Vernon Parish Tax Agency Fund
of the Vernon Parish School Board
Leesville, Louisiana

We have audited the accompanying financial statement of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board as of June 30, 2012, as listed in the table of contents. This financial statement is the responsibility of the Vernon Parish School Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Vernon Parish Tax Agency Fund and do not purport to, and do not, present fairly the financial position of the Vernon Parish School Board as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board, as of June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

The Vernon Parish Tax Agency Fund has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2013, on our consideration of the Vernon Parish Tax Agency Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming our opinion on the financial statement that comprise of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board's basic financial statements. The information identified in the table of contents as other information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

January 9, 2013

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board**

**Statement of Fiduciary Assets and Liabilities
June 30, 2012**

Statement A

ASSETS

Accounts Receivable, net	\$ 3,308,094
Cash, Restricted - paid under protest	<u>48,538</u>
Total Assets	<u><u>\$ 3,356,632</u></u>

LIABILITIES

Deposits due others	\$ 3,308,094
Taxes paid under protest payable with restricted assets	<u>48,538</u>
Total Liabilities	<u><u>\$ 3,356,632</u></u>

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Notes to the Financial Statements
June 30, 2012**

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**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Notes to the Financial Statements
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The Vernon Parish Tax Agency Fund has been formed under joint agreement of the Vernon Parish School Board, the Vernon Parish Police Jury, the City of Leesville, the Town of New Llano, the Town of Rosepine, the Town of Hornbeck, the Vernon Parish Sheriff, and Office of Tourism for the collection of sales, use taxes and other fees, in accordance with Louisiana Revised Statutes 33:2844. The Vernon Parish Tax Agency charges the joint governments a collection fee of 1.5% of total collections to cover operating costs for the Vernon Parish Tax Agency.

A. REPORTING ENTITY For financial reporting purposes, in conformance with Governmental Accounting Standards Board's Statement No. 14 The Reporting Entity, the Vernon Parish Tax Agency Fund is an agency fund of the Vernon Parish School Board. Accordingly, the accompanying financial statements present only the accounts of the tax agency fund and are not intended to present fairly the financial position and results of operations of the Vernon Parish School Board in conformity with accounting principles generally accepted in the United States of America. The Vernon Parish Tax Agency Fund is included as part of the basic financial statements of the Vernon Parish School Board.

B. FUND ACCOUNTS A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

Funds are classified into one category, fiduciary. Fiduciary funds are used to account for assets held for others. The tax agency fund requires the use of a fiduciary fund as described below:

Fiduciary Fund - The Vernon Parish Tax Agency Fund is used to account for the collection and distribution of sales and use taxes imposed by the various taxing authorities within the parish. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. BASIS OF ACCOUNTING The basis of accounting for an agency fund is the accrual basis. The measurement focus is custodial, since the fund is not involved with the performance of governmental services. An agency fund has no revenues or expenditures and therefore there is no fund balance or need to measure the results of operations for a period.

D. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH The Vernon Parish Tax Agency Fund receives money from various sales tax vendors. These collections are split deposited directly into the bank accounts of the various taxing bodies. Further, the Vernon Parish Tax Agency Fund has no bank or investment accounts in its name. The School Board is holding monies in behalf of the Agency Fund for sales taxes paid under protest, which are restricted until the protest is resolved. See note 6 for additional information.

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Notes to the Financial Statements
June 30, 2012**

NOTE 3 - CHANGES IN DEPOSITS DUE OTHERS A summary of changes in deposits due others for the year ended June 30, 2012, is as follows:

BALANCE, Beginning	<u>\$ 2,822,804</u>
ADDITIONS:	
Sales tax collections	<u>29,304,594</u>
DEDUCTIONS:	
Taxes distributed to others:	
Vernon Parish School Board	11,966,547
Vernon Parish Police Jury	8,973,442
City of Leesville	4,183,411
Town of New Llano	236,257
Town of Rosepine	114,811
Town of Hornbeck	38,509
Vernon Parish Sheriff Office	2,990,986
Office of Tourism	<u>315,341</u>
Total deductions	<u>28,819,304</u>
BALANCE, Ending	<u><u>\$ 3,308,094</u></u>

NOTE 4 - COMMITMENTS AND CONTINGENCIES The Vernon Parish Tax Agency is involved in several lawsuits. The lawsuits are in regard to taxes paid under protest. Management and legal counsel for the Tax Agency believe that the potential claims would not materially affect the Tax Agency's financial position.

NOTE 5 - ACCOUNTS RECEIVABLE The ending balance of accounts receivable represents sales tax collections in July, 2012 for June sales and amounts reported for delinquent accounts. An allowance for doubtful accounts of \$330,463 has been established for the delinquent accounts as the Agency does not expect to collect these balances in full.

NOTE 6 - TAXES PAID UNDER PROTEST There is currently \$48,538 in Taxes Paid Under Protest attributable to one vendor. Taxes paid under protest are being held in a separate account pending the outcome of the cases.

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Notes to the Financial Statements
June 30, 2012**

NOTE 7 - SALES TAX COLLECTIONS AND DISBURSEMENTS (CASH BASIS) The following is a schedule of the sales tax collections and disbursements on a cash basis collected in behalf of payments made to local governmental entities for the fiscal year ended June 30, 2012:

	<u>Total Collections</u>	<u>Collection Fees</u>	<u>Total Disbursements</u>
Vernon Parish School Board (2%)			
School Board (1%) 1973	\$ 5,983,274	\$ 89,749	\$ 5,893,525
School Board (1%) 1991	5,983,273	89,749	5,893,524
	<u>11,966,547</u>	<u>179,498</u>	<u>11,787,049</u>
Vernon Parish Police Jury (1.5%)			
Police Jury (1%) 2006	5,982,295	89,735	5,892,560
Police Jury (0.5%) 2006	<u>2,991,147</u>	<u>44,867</u>	<u>2,946,280</u>
	8,973,442	134,602	8,838,840
Law Enforcement District (0.5%) 2004	<u>2,990,986</u>	<u>44,865</u>	<u>2,946,121</u>
Town of Leesville (1.5%)			
Town of Leesville (1%) 2004	2,788,941	41,834	2,747,107
Town of Leesville (0.5%) 2004	<u>1,394,470</u>	<u>20,917</u>	<u>1,373,553</u>
	4,183,411	62,751	4,120,660
Village of Rosepine (1.5%)			
Village of Rosepine (1%) 2011 Renewal	96,938	1,454	95,484
Village of Rosepine (.5%) 2011 *	<u>17,873</u>	<u>268</u>	<u>17,605</u>
	114,811	1,722	113,089
Village of New Llano (1.5%)			
Village of New Llano (1%)	157,505	2,363	155,142
Village of New Llano (.5%) 2007	<u>78,752</u>	<u>1,181</u>	<u>77,571</u>
	236,257	3,544	232,713
Town of Hornbeck (1%)	<u>38,509</u>	<u>578</u>	<u>37,931</u>
Tourism (3%)	<u>315,341</u>	<u>4,730</u>	<u>310,611</u>
Total	<u><u>\$ 28,819,304</u></u>	<u><u>\$ 432,290</u></u>	<u><u>\$ 28,387,014</u></u>

* Collections started January 1, 2012

A total of \$34,933.91 was billed to these entities for audit fees paid to external auditors. Payments were made from each entity directly to the external auditor.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members
Vernon Parish Tax Agency Fund of the
Vernon Parish School Board
Leesville, Louisiana

We have audited the financial statement of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board as of June 30, 2012, and have issued our report thereon dated January 9, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

As discussed in Note 1, the financial statement of the Vernon Parish Tax Agency Fund is intended to present the assets and liabilities of only that portion of aggregate remaining fund information of the reporting entity of the Vernon Parish School Board that is attributable to the transactions of the Vernon Parish Tax Agency Fund.

Internal Control Over Financial Reporting

Management of the Vernon Parish School Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Vernon Parish Tax Agency Fund of the Vernon Parish School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vernon Parish Tax Agency Fund for the Vernon Parish School Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies that we considered to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as items 12-F1 that we considered to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vernon Parish Tax Agency Fund of the Vernon Parish School Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the School Board in a separate letter dated January 9, 2013.

The Agency's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Findings. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the entity, and the Vernon Parish Police Jury, the City of Leesville, the Town of New Llano, the Town of Rosepine, the Town of Hornbeck, the Vernon Parish Sheriff Office, and Office of Tourism, and is not intended to be and should not be used by anyone other than the specified parties. Although the intended use of this letter may be limited, under Louisiana Revised Statute 24:513 this letter is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
January 9, 2013

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Schedule of Finding and Questioned Costs
June 30, 2012**

Reference # and title: **12-F1** **Delinquent Accounts**

Criteria: Strong internal controls over delinquent accounts require that policies and procedures are established to help ensure that delinquent accounts are properly reviewed and appropriate action is taken for delinquent balances. Also that the system is able to generate complete and accurate reports detailing delinquent vendors and their balances.

Condition found: In reviewing the delinquent accounts report it did not appear that the report contained accurate balances. There were several accounts showing as delinquent yet were not delinquent. There were some accounts that had payments every month yet were showing delinquent balances. Some accounts were showing delinquent balances due to timing differences from the Sales Tax Agency downloading the E-file returns and the School Board sending the check back for deposit. On these, the Agency enters the return in the system without a payment and once they receive the check from the School Board they enter the payment for the vendor. Also there were some accounts that had overrides that were paid yet were still showing delinquent balances. The Sales Tax Agency does have letters to be sent to delinquent vendors for being 30, 60 and 90 days delinquent. However, it did not appear that all delinquent accounts were being reviewed and sent the letters. There were several accounts over 30, 60 and 90 days delinquent that did not have the notices sent to them. With the delinquent report not having accurate data, it is difficult for the Sales Tax Agency to ascertain which accounts are truly delinquent and should be sent the letters. It was also noted that there are no formal written policies and procedures to provide guidelines for handling delinquent accounts and writing off long outstanding balances.

Possible asserted effect (causes and effect):

Cause: Delinquent accounts are not being appropriately followed up on. Also the system is not generating complete and accurate reports for delinquent accounts.

Effect: Appropriate action is not being taken on delinquent balances. Delinquent notices are not being sent to all accounts over 30, 60 and 90 days and long outstanding balances are not be reviewed to determine if the balances should be written off.

Recommendations to prevent future occurrences: Formal written policies and procedures should be established to provide guidelines for handling delinquent accounts. Delinquent accounts should be reviewed monthly to determine if delinquent notices need to be sent to vendors and to determine if there are any long outstanding balances that should be written off. The software company should also be contacted to determine why some accounts are showing as delinquent, yet the balances are paid. The system should generate complete and accurate delinquent reports.

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board**

OTHER INFORMATION

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Summary Schedule of Prior Audit Findings
June 30, 2012**

Reference # and title: **11-F1** **Delinquent Notices**

Origination date: This finding originated fiscal year ended June 30, 2009.

Condition: Good internal controls require that the Agency's policies for delinquent account collections be followed up on. Of fifteen delinquent vendors tested, twelve of the vendors were not turned over to the District Attorney. It was also noted during the testing of debit memos that unpaid debit memos are not being considered as delinquent accounts and therefore are not turned over to the District Attorney.

Corrective action planned: See current year finding 12-F1.

Reference # and title: **11-F2** **Untimely Deposits**

Origination date: This finding originated fiscal year ended June 30, 2011.

Condition: Proper internal controls require the Agency to deposit sales tax collections within three business days from receipt of payment. When testing 40 sales tax remittance reports, it was noted that the monies collected from 9 of the 40 sales tax reports were deposited untimely. When testing 25 batch deposits, it was noted that the monies collected within 9 of the 25 batch deposits were deposited untimely.

Corrective action taken: This item was considered cleared.

**Vernon Parish Tax Agency Fund
Of the Vernon Parish School Board
Corrective Action Plan For Current Year Findings
June 30, 2012**

Reference # and title: **12-F1** **Delinquent Accounts**

Condition: Strong internal controls over delinquent accounts require that policies and procedures are established to help ensure that delinquent accounts are properly reviewed and appropriate action is taken for delinquent balances. Also that the system is able to generate complete and accurate reports detailing delinquent vendors and their balances.

In reviewing the delinquent accounts report it did not appear that the report contained accurate balances. There were several accounts showing as delinquent yet were not delinquent. There were some accounts that had payments every month yet were showing delinquent balances. Some accounts were showing delinquent balances due to timing differences from the Sales Tax Agency downloading the E-file returns and the School Board sending the check back for deposit. On these, the Agency enters the return in the system without a payment and once they receive the check from the School Board they enter the payment for the vendor. Also there were some accounts that had overrides that were paid yet were still showing delinquent balances. The Sales Tax Agency does have letters to be sent to delinquent vendors for being 30, 60 and 90 days delinquent. However, it did not appear that all delinquent accounts were being reviewed and sent the letters. There were several accounts over 30, 60 and 90 days delinquent that did not have the notices sent to them. With the delinquent report not having accurate data, it is difficult for the Sales Tax Agency to ascertain which accounts are truly delinquent and should be sent the letters. It was also noted that there are no formal written policies and procedures to provide guidelines for handling delinquent accounts and writing off long outstanding balances.

Corrective action planned: The Vernon Parish Tax Agency will make sure policies and procedures are followed for handling delinquent accounts. The accounts will be reviewed monthly and long outstanding balances will be written off. Our software company has been contacted and corrections have been made to the report to make it more accurate.

Person responsible for corrective action:

Tim Ward, Business Manager
201 Belview Rd.
Leesville, LA 71446

Telephone: 337-239-1631
Fax: 337-239-3905

Anticipate completion date: Immediately.



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Management Letter

Board Members

Vernon Parish Tax Agency Fund of the
Vernon Parish School Board
Leesville, Louisiana

In planning and performing our audit of the financial statement of the Vernon Parish Tax Agency Fund of the Vernon Parish School Board as of and for the year ended June 30, 2012, we considered the Vernon Parish Tax Agency Fund's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance in the internal control.

However, during the performance of our procedures, we noted a certain matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated January 9, 2013 on the financial statements of the Vernon Parish Tax Agency Fund. We will review the status of this comment during our next audit engagement. Our comment and recommendation, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment and management's response are summarized as follows:

12-M1

Efile Deposits

Comment: In testing of 25 batches, there were four that were not deposited to the other entities timely within three days. Also in testing of remittances for 40 vendors, there were 10 that were not deposited timely. These untimely deposits are mainly due to the timing differences between the Sales Tax Agency downloading the E-file returns and the School Board sending a check back to the Sales Tax Agency to deposit. The School Board only cuts checks once a week, therefore the Agency will only receive checks once a week to deposit.

Recommendation: The School Board should establish procedures to ensure efile returns are distributed to other entities in a timely manner.

Management's response: The School Board has increased the number of check runs each week to cut down lag time between downloads and issuing checks to the Sales Tax Agency.

Our audit procedures are designed primarily to enable us to form our opinion on the financial statement of the Vernon Parish Tax Agency Fund, as of and for the year ended June 30, 2012, which collectively comprise the Vernon Parish Tax Agency Fund's basic financial statement, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Also included are management's responses to our current year management letter items. We have performed no audit work to verify the content of the responses.

This report is intended solely for the information and use of the Board members, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP
Allen, Green & Williamson, LLP

Monroe, Louisiana
January 9, 2013